



Iowa Department of Human Services

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INFORMATIONAL LETTER NO.1701-MC

DATE: July 25, 2016

TO: Iowa Medicaid Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs), and Managed Care Organizations (MCOs)

FROM: Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME)

RE: IA Health Link-Managed Care Wraparound Payments

EFFECTIVE: April 1, 2016

Wraparound Payments:

On April 1, 2016, most of Iowa's Medicaid members were enrolled in one of three MCOs through the IA Health Link managed care program.

FQHCs and RHCs are reimbursed for services for Medicaid members under Medicaid Fee-for-Service (FFS) based on the greater of: (1) 100 percent of the reasonable Medicaid costs related to the encounter or (2) the provider-specific prospective payment system (PPS) rate as calculated in accordance with section 702 of the Benefits Improvement Act of 2000 (BIPA).

When an FQHC or RHC provides service under contract with an MCO, the IME will supplement the payment from the MCO to provide for payments of at least the same amount as would otherwise be required under the PPS. [Informational Letter No.1656-MC](#)¹ details the process for submitting wraparound payment requests to the IME.

As described in [Informational Letter No.1562](#)² the managed care rate floor for FQHC and RHC services is the provider-specific BIPA PPS rate, updated annually.

- If the rate paid by the MCO is higher than the provider's reasonable cost per encounter from the most recently settled Medicaid Cost Report, the provider will not need to submit a wraparound request.
- If the rate paid by the MCO is lower than the provider's reasonable cost per encounter from the most recently settled Medicaid Cost Report, the provider may submit a Managed Care Wraparound Request to the IME in order to collect the higher, cost-based, reimbursement. Wraparound payments will be subject to cost settlement during the tentative and final settlement of the Medicaid Cost Reports.

¹ <https://dhs.iowa.gov/sites/default/files/1656-MCIAHealthLinkManagedCareWraparoundServices.pdf>

² https://dhs.iowa.gov/sites/default/files/1562_ManagedCareOrganizationProviderReimbursementRateFloors.pdf

Newly Enrolled FQHC and RHC Providers:

- If a provider is newly enrolled in Iowa Medicaid and has not filed a cost report, the encounter rate used to calculate wraparound payments will be the interim payment rate per encounter as set during the enrollment process until the first cost report has been filed and tentatively settled.
- The provider specific BIPA PPS rate will be established following two years of cost reporting.

If you have any questions, please contact the IME Provider Cost Audit Unit at 1-866-863-8610, locally in Des Moines at 515-256-4610, or by email at costaudit@dhs.state.ia.us.